PRESS RELEASE July 11, 2018

New World Bank Report Highlights What It takes to Build a Robust Palestinian Startup Ecosystem

JERUSALEM, July 11, 2018 - A new World Bank report "Tech startup ecosystem in West Bank and Gaza" finds that while the Palestinian startup ecosystem is at its early-stage and still maturing, it has highly educated founders and one of the highest rates of female entrepreneurs across analyzed ecosystems. However, the founders tend to be young with little managerial experience.

"*In its four-year strategy, the World Bank put greater emphasis on creating a better enabling environment for private investments, ultimately job growth. Within that process, it is essential to understand the dynamics of the Palestinian ecosystem and digital economy,"* said **Marina Wes, World Bank Country Director for West Bank and Gaza**. "*The report offers one of the richest samples of data collected to date, as the basis for policy action to address gaps in the Palestinian tech startups. The findings call for mobilizing accelerators to upgrade skills and networks of connections."*

The analysis is based on a survey covering over 400 entrepreneurs in the West Bank and Gaza. While the dataset is not exhaustive and does not include startups that are no longer in business during the collection process, it provides unique insights to boost the maturity and sustainability of the ecosystem.

On average, each year 19 more startups are created than in the previous year, resulting in a 34 percent compounded growth rate in startup creation since 2009. In comparison

with Lebanon and Dar es Salaam (Tanzania), two relatively similar ecosystems, West Bank and Gaza startups are significantly quicker in terms of obtaining credit, hiring employees, and renting an office.

While the key strength of the ecosystem is the presence of talented people, with highly educated founders (85 percent with a university degree and 27 percent with graduate degrees), the bulk of founders have limited managerial experience, resulting in limited business acumen. To address this issue, the report identifies access to formal education, and having foreign investors as the most significant factors for long term success of tech ventures.

The report recommends expanding practical education in universities and through rapid skills training programs. It calls for reducing the silo approach and building networking assets to increase community and clusters, particularly between Gaza and West Bank.

Linkages could also be made with Jordan, proximate Arab communities, and the MENA region more broadly. The recent Innovative Private Sector Development Project includes technical assistance for private investors to bridge the equity gap and create market linkages with communities in neighboring countries.

Furthermore, a key to increasing the quality of infrastructure support is the focus on managerial support and attractions of mentors with practical entrepreneurship and business experience in accelerators. In terms of investment, there is sufficient early stage seed funding, but less availability for startups to grow and scale.

The Finance for Jobs Project supported by the World Bank aims to mitigate this challenge by developing and strengthening the early stage investment pipeline with an Entrepreneurship Ecosystem Matching Grant instrument.

The report warns of the tendency to promote a supply-driven rather than market-driven approach to entrepreneurship development, as a result of the significant

presence of donor and publicly financed initiatives. Such intervention affects the priorities of the organizations receiving funding and their capacity to endure the rigors of a market-driven entrepreneurial process. A transition to demand-driven by the private sector would promote greater long-term sustainability.

"*Recognizing the constraints of the political and institutional context, policy efforts need to provide a path for innovative ventures to scale regionally, creating opportunities for entrepreneurs to develop their experience and knowledge of how to tap into global networks and markets,"* said **Abdalwahab Khatib, Financial Sector Specialist and co-leader of the Finance for Jobs Project.**

Contacts

West Bank and Gaza

Mary Koussa
+(972) 2-2366500

mkoussa@worldbank.org

Washington

William Stebbins
+1 (202) 458-7883

wstebbins@worldbank.org